

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Duplain Township	County Clinton
Audit Date 3/31/05	Opinion Date 6/21/05	Date Accountant Report Submitted to State: 9/6/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C.</i>		Date <i>9/2/05</i>	

**Township of Duplain
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2005

Township of Duplain
Clinton County, Michigan
March 31, 2005
BOARD OF TRUSTEES

Kam Washburn	Supervisor
Richard Bates	Clerk
Amy Bowen	Treasurer
Matthew Peck	Trustee
Russell Schoch	Trustee

Township of Duplain
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Duplain
Elsie, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Duplain, Michigan as of and for the year ended March 31, 2005, which collective comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township of Duplain's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining information of the Township of Duplain, Michigan as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 21, 2005

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

New Financial Reporting

Starting with fiscal year 2005, the Township of Duplain, Clinton County, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- State shared revenue, the Townships largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$2,916 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State.
- Property tax revenues increased approximately \$7,797 from the prior year. The increase is the net result of increasing property assessments in the Township.
- Total fund balances related to the Township's governmental funds increased by \$17,559.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Duplain as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Duplain in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township of Duplain acts solely as a trustee or agent for the benefit of those outside the government.

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005. A comparative analysis of data will be presented in future years when the information is available.

Assets	
Current assets	\$ 173,447
Noncurrent assets	<u>120,059</u>
Total assets	293,506
Liabilities	
Current liabilities	3,229
Net Assets	
Invested in capital assets, Net of related debt	120,059
Unrestricted	<u>170,218</u>
Total net assets	<u>\$ 290,277</u>

The Township's total net assets were \$290,277 at March 31, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$170,218 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at \$120,059. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Revenue	
Program revenue:	
Charges for services	\$ 5,783
General revenue:	
Property taxes	133,689
State shared revenue	113,177
Investment earnings	774
Other revenue	<u>4,266</u>
Total revenue	257,689
Program Expenses	
General government	85,884
Public safety	66,774
Public works	64,763
Health and welfare	9,316
Community and economic development	4,823
Recreation and cultural	7,778
Other	<u>6,127</u>
Total program expenses	<u>245,465</u>
Change in Net Assets	<u>\$ 12,224</u>

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

Governmental Activities

The Township's governmental revenues totaled \$257,689 with the greatest revenue sources being property taxes and State Revenue Sharing. Property taxes and State Revenue Sharing make up approximately 52 and 44 percent, respectively, of total governmental revenue. Over the past few years, state shared revenue and interest income have both declined.

The Township incurred expenses of \$245,465 during the year. The majority of governmental expense is associated with the general government function, which includes Township Board, Supervisor, Clerk, and Treasurer. The second highest level of expense is incurred in the public safety area, which includes fire services.

The Township's Funds

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Duplain as a whole. The Township of Duplain's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2005 include the General Fund and the Emergency Services Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general government activities, which incurred expenditures of \$80,549 for the fiscal year. Emergency services are partially supported by a special public safety millage, which is recorded in the Emergency Services Fund.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments, with the exception of one line item in the general fund which had a negligible actual over adjusted budget expenditure, to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of various minor increased costs over certain budgeted line items. However, because all departments came in under budget at year end, there was an overall favorable variance of approximately \$31,097 from budget.

Capital Asset

At the end of the fiscal year, the Township had approximately \$120,059 invested in a broad range of capital assets, including buildings, land, and equipment. In addition, the Township has made certain investments in roads and drains within the Township of Duplain. These assets are not reported in the Township of Duplain's fund statements, because under Michigan law, these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's coming fiscal year will certainly call for a reduction in total revenue sharing to the Township. The total assessed valuation of the Township continues to grow.

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Township of Duplain
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 162,292
Due from other governmental units - local	<u>11,155</u>
Total current assets	173,447
Noncurrent assets	
Capital assets, net	<u>120,059</u>
TOTAL ASSETS	293,506
LIABILITIES	
Current liabilities	
Accounts payable	<u>3,229</u>
NET ASSETS	
Invested in capital assets	120,059
Unrestricted	<u>170,218</u>
TOTAL NET ASSETS	<u><u>\$ 290,277</u></u>

See accompanying notes to financial statements.

Township of Duplain
STATEMENT OF ACTIVITIES
Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:			
General government	\$ 85,884	\$ 5,783	\$ (80,101)
Public safety	66,774	-	(66,774)
Public works	64,763	-	(64,763)
Health and welfare	9,316	-	(9,316)
Community and economic development	4,823	-	(4,823)
Recreation and cultural	7,778	-	(7,778)
Other	6,127	-	(6,127)
Total governmental activities	<u>\$ 245,465</u>	<u>\$ 5,783</u>	(239,682)
General revenues:			
Property taxes			133,689
State shared revenue			113,177
Investment earnings			774
Other			4,266
Total general revenues			<u>251,906</u>
		Change in net assets	12,224
Net assets, beginning of the year			<u>278,053</u>
Net assets, end of the year			<u>\$ 290,277</u>

See accompanying notes to financial statements.

Township of Duplain

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2005

	General	Emergency Services	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 91,213	\$ 71,079	\$ 162,292
Due from other government units - local	5,068	6,087	11,155
Due from other funds	-	4,810	4,810
TOTAL ASSETS	\$ 96,281	\$ 81,976	\$ 178,257
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,229	\$ -	\$ 3,229
Due to other funds	4,810	-	4,810
TOTAL LIABILITIES	8,039	-0-	8,039
FUND BALANCES			
Unreserved - Undesignated	88,242	81,976	170,218
TOTAL LIABILITIES AND FUND BALANCES	\$ 96,281	\$ 81,976	\$ 178,257

See accompanying notes to financial statements.

Township of Duplain

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2005

Total fund balances - governmental funds **\$ 170,218**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	220,383	
Accumulated depreciation is	<u>(100,324)</u>	
Capital assets, net		<u>120,059</u>

Net assets of governmental activities **\$ 290,277**

See accompanying notes to financial statements.

Township of Duplain

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	General	Emergency Services	Total Governmental Funds
REVENUES			
Taxes	\$ 65,787	\$ 71,685	\$ 137,472
Intergovernmental	113,177	-	113,177
Interest	749	25	774
Other	6,266	-	6,266
TOTAL REVENUES	185,979	71,710	257,689
EXPENDITURES			
Current			
General government	80,549	-	80,549
Public safety	5,978	60,796	66,774
Public works	64,763	-	64,763
Health and welfare	-	9,316	9,316
Community and economic development	4,823	-	4,823
Recreation and cultural	7,778	-	7,778
Other	6,127	-	6,127
TOTAL EXPENDITURES	170,018	70,112	240,130
EXCESS OF REVENUES OVER EXPENDITURES	15,961	1,598	17,559
Fund balances, beginning of year	72,281	80,378	152,659
Fund balances, end of year	<u>\$ 88,242</u>	<u>\$ 81,976</u>	<u>\$ 170,218</u>

See accompanying notes to financial statements.

Township of Duplain

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Net change in fund balances - total governmental funds **\$ 17,559**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense (5,335)

Change in net assets of governmental activities **\$ 12,224**

See accompanying notes to financial statements.

Township of Duplain

Fiduciary Fund

STATEMENT OF NET ASSETS

March 31, 2005

	Current Tax Collections Fund
ASSETS	
Cash	\$ 17,701
Due from County	<u>4,382</u>
TOTAL ASSETS	<u><u>\$ 22,083</u></u>
LIABILITIES	
Due to Downtown Development Authority	\$ 12,054
Due to State	<u>10,029</u>
TOTAL LIABILITIES	<u><u>\$ 22,083</u></u>

See accompanying notes to financial statements.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Duplain, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and ambulance service.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement 14, *The Financial Reporting Entity*; and As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of Township of Duplain. The Township has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of Township of Duplain contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activities, which are considered to be joint ventures in relation to the Township, due to the formation of an organization by an agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Elsie Area Ambulance Service - The Township of Duplain, in conjunction with the Townships of Chapin and Fairfield, has entered into an agreement which created the Elsie Area Ambulance Services, Inc., a Michigan nonprofit Corporation. The Corporation's Board is composed of the Supervisors from each Township. Duplain Township's Supervisor is the president of Elsie Area Ambulance Service, Inc.

Each Township is responsible to contribute annually to the Ambulance Service an amount equal to \$3.50 per resident to cover operational costs and an additional amount equal to \$3.50 per resident to cover the cost of equipment. The Township paid \$9,316 to the Ambulance Service for the year ended March 31, 2005.

Elsie Area Fire Association - Duplain Township, in conjunction with Fairfield and Chapin Townships, and the Village of Elsie has entered into an agreement which created the Elsie Area Fire Association. Each municipality appoints one individual and the fire department appoints one individual at large to the governing body of the Fire Association. The at large member shall not be a member of, or associated with, the fire department.

For the year ended March 31, 2005, the Township paid \$5,978 for fire runs.

The financial activities of the Elsie Area Fire Association are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended March 31, 2005, are available from the Association. As of March 31, 2005, the Association had a fund deficit of \$2,832.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Emergency Services Fund - The Emergency Services Fund is used to account for the proceeds of specific revenue sources, such as property taxes, that are used to finance emergency services activities such as fire protection and ambulance service.

4. Measurement Focus

The government-wide are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental funds financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected as required supplementary information to the financial statements:

- a. Prior to April 1, the budget is legally adopted for the General Fund on a departmental (activity) level and the Special Revenue Fund is legally adopted at the fund level through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of money market checking or savings accounts.

8. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

9. Capital Assets

Capital assets include land, buildings, and building additions and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions

40 years

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Taxes

The Township of Duplain bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for emergency services. For the year ended March 31, 2005, the Township levied 1.0000 mills per \$1,000 of assessed valuation for general governmental services and 1.5000 mills for emergency services. The total taxable value for the 2004 levy for property within the Township was \$48,942,567.

11. Accounting Change

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$304,610, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

12. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

Township of Duplain

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Township of Duplain is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Township of Duplain are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township of Duplain.

As of March 31, 2005, the carrying amounts and bank balances for the accounts were as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 161,038	\$ 40,399
Savings	<u>1,254</u>	<u>1,254</u>
	162,292	41,653
FIDUCIARY FUND		
Checking	<u>17,701</u>	<u>141,840</u>
	<u>\$ 179,993</u>	<u>\$ 183,493</u>

The bank balances as of March 31, 2005 were insured by the FDIC \$101,254. The amount of \$82,239 was uninsured and uncollateralized.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2005, are as follows:

Due to Emergency Services Fund from:	
General Fund	\$ <u>4,810</u>

Amounts appearing as interfund payables and receivables arise from transactions where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Restated Balance April, 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2005</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,001	\$ -	\$ -	\$ 7,001
Capital assets being depreciated				
Buildings and additions	213,382	-	-	213,382
Less accumulated depreciation for:				
Buildings and additions	<u>(94,989)</u>	<u>(5,335)</u>	<u>-</u>	<u>(100,324)</u>
Net capital assets being depreciated	<u>118,393</u>	<u>(5,335)</u>	<u>-0-</u>	<u>113,058</u>
Capital assets, net	<u>\$ 125,394</u>	<u>\$(5,335)</u>	<u>\$ -0-</u>	<u>\$ 120,059</u>

Depreciation expense of \$5,335 was allocated to the general government function on the statement of activities.

NOTE E: RISK MANAGEMENT

The Township is exposed to various risks of loss including in-land marine; property; and liability for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Township of Duplain

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditures level for the Special Revenue Fund.

During the year ended March 31, 2005, the Township incurred expenditures in the General Fund and Emergency Services Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Clerk	\$ 11,857	\$ 11,943	\$ 86
Emergency Services Fund			
Public Safety	69,400	70,112	712

REQUIRED SUPPLEMENTARY INFORMATION

Township of Duplain

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 48,700	\$ 48,700	\$ 62,004	\$ 13,304
Administrative fees	9,500	9,500	3,783	(5,717)
Total taxes	58,200	58,200	65,787	7,587
Intergovernmental				
State revenue sharing	87,000	87,000	84,185	(2,815)
Metro act	1,500	1,500	3,992	2,492
County contributions	25,000	25,000	25,000	-0-
Total intergovernmental	113,500	113,500	113,177	(323)
Interest	100	100	749	649
Other	3,000	3,000	6,266	3,266
TOTAL REVENUES	174,800	174,800	185,979	11,179
EXPENDITURES				
General government				
Township Board	20,200	25,256	24,700	556
Supervisor	7,900	7,900	7,726	174
Elections	3,600	3,600	2,839	761
Assessor	12,800	12,443	12,042	401
Clerk	11,500	11,857	11,943	(86)
Board of review	800	800	332	468
Treasurer	16,950	16,950	15,647	1,303
Township hall	3,100	3,100	1,720	1,380
Cemetery	4,350	4,350	3,600	750
Total general government	81,200	86,256	80,549	5,707
Public safety				
Fire protection	8,000	8,000	5,978	2,022
Public works				
Street lights	150	150	130	20
Highways, streets, and bridges	58,065	59,565	59,426	139
Drains	5,000	5,207	5,207	-0-
Total public works	63,215	64,922	64,763	159

Township of Duplain

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare				
Ambulance equipment contribution	\$ 9,650	\$ 9,650	\$ -	\$ 9,650
Community and economic development				
Planning and zoning	24,050	14,660	4,823	9,837
Recreation and cultural				
Parks and recreation contributions	5,000	7,000	4,278	2,722
Library contribution	4,500	4,500	3,500	1,000
Total recreation and cultural	9,500	11,500	7,778	3,722
Other				
Social Security	5,500	6,127	6,127	-0-
TOTAL EXPENDITURES	201,115	201,115	170,018	31,097
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,315)	(26,315)	15,961	42,276
Fund balance, beginning of year	72,281	72,281	72,281	-0-
Fund balance, end of year	\$ 45,966	\$ 45,966	\$ 88,242	\$ 42,276

Township of Duplain
Emergency Services Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ -	\$ -	\$ 71,685	\$ 71,685
Interest	-	-	25	25
TOTAL REVENUES	-0-	-0-	71,710	71,710
EXPENDITURES				
Public safety				
Contracted services	60,000	60,000	60,796	(796)
Health and welfare				
Contracted services	9,400	9,400	9,316	84
TOTAL EXPENDITURES	69,400	69,400	70,112	(712)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,400)	(69,400)	1,598	72,422
Fund balance, beginning of year	80,378	80,378	80,378	-0-
Fund balance, end of year	<u>\$ 10,978</u>	<u>\$ 10,978</u>	<u>\$ 81,976</u>	<u>\$ 72,422</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
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MANAGEMENT LETTER

To the Members of the Township Board
Township of Duplain
Elsie, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Township of Duplain for the year ended March 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the Township's internal controls and our discussions with management.

1. The Board should implement a double entry accounting system.

During the course of our audit, it was noted that the Township Clerk records the receipts and disbursements amounts in a ledger book, which does not provide year-to-date information for revenues and expenditures by account. The ledger does maintain the cumulative cash balance but the fund balance account is not being utilized in the ledger book (i.e., only one (1) side of the accounting entry is being recorded). This issue was noted and reported in our comments last year.

We suggest the Township resume the use of "QuickBooks" accounting software, which was purchased and implemented in the 2003 fiscal year. QuickBooks will provide the Township a double-entry system of accounting, which will strengthen and improve internal control over the financial reporting process.

2. Budgets should be monitored and amended when necessary.

As noted in the financial statements, expenditures of the Township exceeded the amounts appropriated. The variances noted were in the General Fund and Emergency Service Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Township shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated June 21, 2005.

This report is intended solely for the use of management and the Board of Trustees of the Township of Duplain and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 21, 2005

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants
REPORT ON INTERNAL CONTROL

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To the Members of Township Board
Township of Duplain
Elsie, Michigan

In planning and performing our audit of the financial statements of Township of Duplain for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Township of Duplain's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

RECONCILIATIONS OF BANK ACCOUNTS

During our analysis of the Township's cash accounts, we noted that the general fund bank statement had not been reconciled with the general ledger on a timely basis.

We recommend the Township assure that reconciliations are prepared on a monthly basis for all bank accounts and that the reconciliations be performed in a timely manner.

A material weakness is a condition in which the design or operation of one (1) or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the reportable condition referred to above is believed to be a material weakness.

This report is intended solely for the use of management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss this recommendation with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 21, 2005